

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	
OF RURAL TELEPHONE COMPANY FOR)	CASE NO. RUR-T-04-1
AUTHORITY TO BORROW NOT MORE)	
THAN \$17,500,000 FROM THE RURAL)	
UTILITIES SERVICE)	ORDER NO. 29566
)	

THE APPLICATION

On July 23, 2004, Rural Telephone Company filed an Application requesting authority to borrow not more than \$17,500,000 from the federal Rural Utilities Service (RUS). *Idaho Code* § 61-901 requires telephone utilities like Rural Telephone to obtain the Commission's approval before they issue or assume any securities or debt.

According to the Application, proceeds of the loan will be utilized for several purposes including: a new central office and switch in the Boise River exchange; replacing copper with fiber optic cable in the Atlanta exchange; placing fiber from the Prairie central office to the Boise River central office; placing fiber and supporting power in the Shoup exchange; and placing fiber optic cable from the Three Creek exchange to a connection point with Filer Mutual at Rogerson, Idaho. The Application also states that the Company will be increasing capacity to accommodate projected growth over the next ten years. A portion of the loan may qualify as a hardship loan with the interest rate of 5%, and the remainder of the loan will be at the current market rate when the advances are made.

STAFF REVIEW

Staff recommended approval of Rural Telephone's Application. Staff reviewed the Application and determined that the loan will be used primarily for new growth and upgrades to existing telephone service through the year 2008. Of the proposed \$17,425,104 loan, approximately \$10,649,067 will be used in Nevada. The remaining \$6,776,037 will be used in Idaho. Staff noted that the Idaho portion of the loan proceeds will be used primarily for providing regulated services. However, because equipment such as fiber optic cable and digital switching electronics can be used for a variety of services, it is difficult to determine what other services may be provided over such equipment and at what levels without specific review or

studies. Staff also recommended that Rural Telephone Company be required to provide: (1) copies of the RUS advance documents; and (2) all RUS compliance reports and calculations.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

Rural Telephone Company is a telephone corporation within the definition of *Idaho Code* § 61-121 and is a public utility in the definition of *Idaho Code* § 61-129. The Idaho Public Utilities Commission has jurisdiction over this matter pursuant to the provision of *Idaho Code* §§ 61-901 *et seq.*

After examining the Application and Staff's comments, the Commission finds that an evidentiary hearing in this matter is not required. The Commission further finds that the proposed transaction is consistent with the public interest and Rural Telephone's proper performance of its duties as a public utility.

The Commission also finds that the general purposes to which the loan funds will be utilized are lawful purposes under the public utilities law and are compatible with the public interest. However, this approval of the general purposes to which the funds will be put to use is neither a finding of fact nor a conclusion of law that any particular project, program, or future cost recovery is authorized. Approval in this Order shall not be construed to approve any particular use of the funds which Rural Telephone may benefit by the approval in this Order.

The Commission further finds that the issuance of an Order authorizing the borrowing of funds not to exceed \$17.5 million does not constitute agency determination/approval of the type of financing or the related costs for ratemaking purposes. The Commission expressly reserves the ratemaking implication from these loans until an appropriate future proceeding.

The Commission's approval of this Application is conditioned upon Rural Telephone satisfying the reporting requirements recommended by the Staff. Rural Telephone is reminded that compliance with reporting requirements does not guarantee that the cost of the loans or the use of such funds will be automatically recovered in the next rate case. To the extent these loan funds are used for non-regulated services, any adjustments associated with the non-regulated costs will occur in a future rate case.

Rural Telephone has paid the fee required by *Idaho Code* § 61-905.

O R D E R

IT IS HEREBY ORDERED that Rural Telephone Company's Application is granted as conditioned in this Order. Rural Telephone shall file copies of the following material(s) with the Commission: (1) copies of the RUS advance documents; and (2) all RUS compliance reports and calculations.

IT IS FURTHER ORDERED that this authorization to borrow funds not to exceed \$17,500,000 is without prejudice to the regulatory authority of this Commission with respect to rates, services, accounts, evaluations, estimates, or determination of costs, or the allocation of costs between regulated and non-regulated activities, or any other matter that may come before this Commission pursuant to its jurisdiction and authority as provided by law.

IT IS FURTHER ORDERED that nothing in this Order and no provision of Idaho Code, Title 61, Chapter 9, or any act or deed done or performed in connection with this Order shall be construed to obligate the State of Idaho to pay or guarantee in any manner whatsoever any funds authorized by the Commission.

IT IS FURTHER ORDERED that issuance of this Order does not constitute acceptance of Rural Telephone's exhibits or other material accompanying the Application for any purpose other than issuance of this Order.

THIS IS A FINAL ORDER. Any person interested in this Order (or in issues finally decided by this Order) or interlocutory Orders previously issued in this Case No. RUR-T-04-1 may petition for reconsideration within twenty-one (21) days of the service date of this Order with regard to any matter decided in this Order or in interlocutory Orders previously issued in this Case No. RUR-T-04-1. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 19th
day of August 2004.



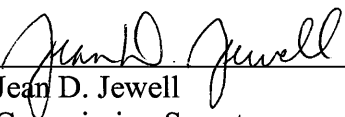
PAUL KJELLANDER, PRESIDENT



MARSHA H. SMITH, COMMISSIONER

Out of the Office on this Date
DENNIS S. HANSEN, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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